



DEFENSE LOGISTICS AGENCY
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IN REPLY
REFER TO

AQOE

OCT 27, 1997

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT
DISTRICTS
COMMANDERS, DCMC CONTRACT ADMINISTRATION
OFFICES

SUBJECT: DCMC Memorandum No. 98-005, FY 98 Contract Property Management
Strategies (TASKING)

This is a TASKING memorandum effective immediately and ending September 30, 1998.
Target audience: Contract Administration Office Commanders, Property Administrators (PAs),
Plant Clearance Officers, and Administrative Contracting Officers.

DCMC first reported Government property management as an area of concern in its FY 96 Annual Statement of Assurance. Although a number of initiatives are underway to identify and implement policy and procedural improvements relative to providing, managing, and disposing of Government property, the process to fully develop and implement these improvements will occur over a period of time before the benefits are fully realized. Therefore Government property management will again be included in my FY 97 Annual Statement of Assurance as a continuing area of concern. I am committed to further improving this process, and require the full attention of all DCMC Commanders to ensure we aggressively resolve our problems in this area.

DCMC POLICY Memorandum No. 96-75, FY 97 Contract Property Management Strategies, which was issued on November 9, 1996 and expired on September 30, 1997, set forth a comprehensive plan for improving the property management process. Our strategy and primary goals in property management remain the same in FY 98: assisting our customers in curtailing the continued growth of Government-owned plant equipment, special test equipment and special tooling in the possession of contractors, the prompt identification and reporting by contractors of property no longer needed for contract performance, and the overall improvement in the management of the remaining Government property. The tasks necessary to accomplish these goals are addressed in the FY 98 DCMC Business Plan under Right Advice (Tasks 1.1.6 and 1.1.7) and Right Price (Tasks 2.1.2 and 2.1.8). However, of particular importance for both FY 98 and FY 99 is the fact that DCMC has been designated the leadership role for implementing Management Reform Memorandum (MRM) No. 5, Disposal of Excess Government-Owned Property. Successful implementation of MRM No. 5 is a prime consideration in our FY 98 property management strategy.

In FY 98 we will focus our energies on those property management functions that pose the greatest risk to our customers and contribute directly to successful implementation of MRM


No. 5. The functions that we will concentrate on in FY 98 are Property Management, Acquisition, Utilization, and Subcontract Control, as identified in DoD 4161.2-M, DoD Manual for the Performance of Contract Property Administration, as well as any other functions that were rated unsatisfactory in FY 97. Review of these higher risk functions shall not be waived in FY 98 for any standard property control system analyses. For the remaining, lower risk property management functions, PAs need to take advantage of existing risk-based DoD policies. If a contractor was rated satisfactory during FY 97, PAs are strongly encouraged to waive annual review of the remaining lower risk property functions unless the PA determines there is a compelling reason to perform the review and provides written documentation justifying the action in the analysis file. Examples justifying a review would be if the PA believes that performance has significantly deteriorated in a particular function since the last analysis, or when implementation of MRM No. 5 discloses a significant problem in a functional area.

This approach does not mean that less time should be devoted to property management. Instead, it is designed to ensure adequate flexibility to address high risk areas, and we expect to see more thorough, comprehensive analyses done of the higher-risk functions and in support of MRM No. 5. The attachment provides more details about specific areas of interest within the higher risk functions.

We believe that an overall improvement in property management can be achieved by moving towards more of a risk-based approach to surveillance and by ensuring that systemic deficiencies in contractors' property control systems are promptly corrected. If systemic deficiencies are not corrected in a timely manner, Commanders should take appropriate measures, including ensuring withdrawal of property system approval (in accordance with DCMC and DoD Government property regulations). Conversely, if contractors prove over time to be reliable property managers, we will continue to reduce routine surveillance.

This Command must continue to improve performance of the property management process. I expect each Commander to take a personal interest in this area and to stay fully apprised of all major property management issues under their cognizance.

Please direct any questions you may have to Paul Farley, Property, Closeout, and Terminations Team (AQOE), on DSN 427-2443 or (703)767-2443, internet address: paul_farley@hq.dla.mil.


TIMOTHY P. MALISHENKO
Brigadier General, USAF
Commander

FY 98 DCMC CONTRACT PROPERTY MANAGEMENT STRATEGIES*

FUNCTION**

NOTES

Property Management

Property Administrators (PAs) must ensure that contractors have acceptable processes for assessing the property control system's efficiency and effectiveness, identifying deficiencies, instituting corrective actions or general improvements, and minimizing loss, damage, or destruction to Government property.

Property control procedures must be adequate to identify and report excess property.

Procedures must be adequate to ensure the contractor's prompt, thorough reporting of LDD to allow the PA to determine whether or not a systemic problem exists.

PAs should ensure that property control processes/procedures have been disseminated to contractor personnel responsible for managing Government property, and are being followed.

Property control procedures/processes are current, with changes submitted to the PA for review prior to implementation.

Acquisition

PAs must ensure that facilities (e.g., general purpose equipment) and Special Test Equipment (STE) are not being acquired without proper authorization (see FAR 52.244-2, 52.245-18, 45.302).

Samples must be derived from purchase orders and not contractor records.

PAs must ensure that classification of property is correct and not misclassified in order to circumvent the necessary FAR approvals for acquiring facilities and STE.

Special attention must be given to ensuring that computers being acquired as STE are not being used for other purposes.

If contractors who have been subject to limited analyses are acquiring significant amounts of equipment under cost type contracts, PAs should consider performing standard analyses, at least for the acquisition function.

Acquisition (Continuation) Unauthorized acquisitions must be brought to the attention of the ACO for possible cost disallowance.

Since DCMDI administers very few cost contracts, special focus does not have to be given to the Acquisition function. However, DCMDI PAs should review their contractor assignments with an eye toward focusing surveillance on those functions they consider being of highest risk.

Utilization Identification of excess and disclosure of excess functional segments must be closely reviewed to ensure regular internal screening takes place and excesses are promptly identified and reported. The contractor's system must be sensitive to the impact of contract/program changes on continued retention (e.g., engineering changes, closeout, termination).

Retention decisions must be based on firm requirements.

Once property is identified as excess, it must be promptly reported to the plant clearance officer (unless other disposition instructions that are consistent with FAR provisions are included in the contract).

Subcontractor Control The prime contractor adequately assesses the control of property in possession of subcontractors, including records, reports, inventories, and disposition (unless supporting property administration has been obtained).

Prime contractors must ensure that subcontractors' property systems are adequate to identify and report excess property.

* This guidance applies to DoD contracts assigned for administration. For civilian agency contracts, property administration and plant clearance will be performed in accordance with the contract delegation instructions.

** Functions as identified in Appendix A to DoD 4161.2-M, DoD Manual for the Performance of Contract Property Administration.